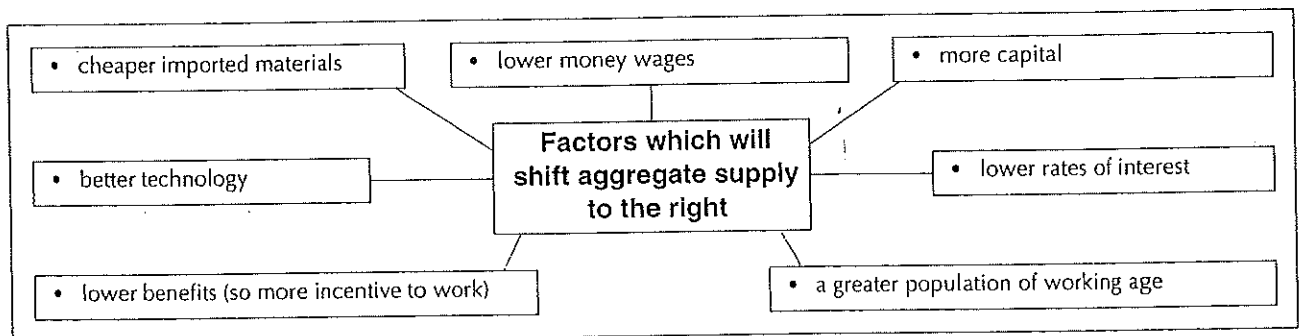
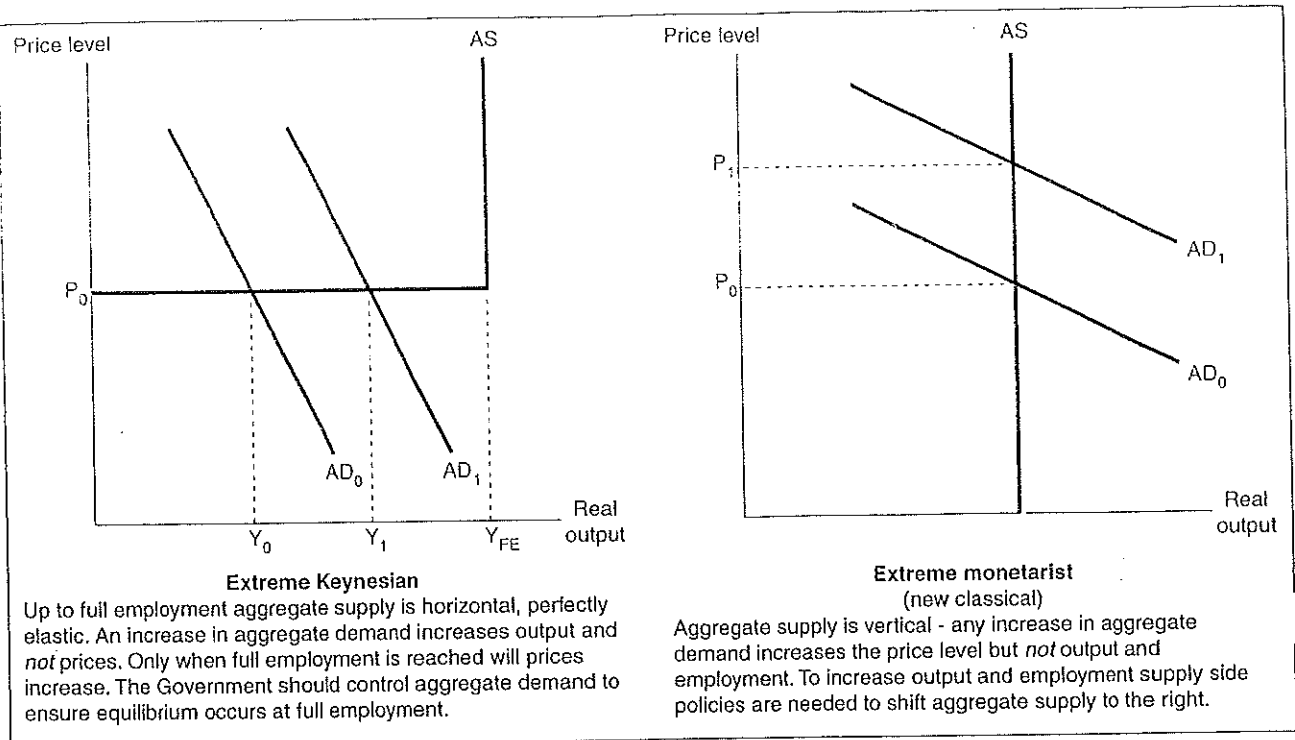


Aggregate demand and supply continued



Supply side policies

Focus on increasing aggregate supply using microeconomic policies to improve the performance of markets, workers, and firms.

Policies include:

- reducing Government spending – this will mean less money has to be borrowed by the Government and so more is available for the private sector
- cutting taxes so there is more incentive to work, e.g. cut the replacement ratio (this is the ratio of disposable income when unemployed, to disposable income when at work)
- reducing trade union power to increase the flexibility in the labour market
- cutting benefits so there is more incentive to work
- deregulating and privatizing to increase competition
- making it easier for firms to set up; provide advice
- encouraging an entrepreneur culture